



## **PURPOSE AND SCOPE OF THE COMPANY**

By Brett S. Lytle

Most people initially think that an entity is only formed and organized for asset protection. Most people don't know that if the appropriate entity is chosen and set up properly it can help meet the following goals:

- Income tax: reduction, elimination and deferral
- Provide for retirement
- Centralized management
- Facilitate gifting and taking advantage of the annual Gift Tax Exemption
- Maintain control of the entity after making gifts and sales
- Reduce estate taxes
- Allow fractional interest in the entity without fractionalizing the underlying assets
- Provide centralized policy and risk analysis for the family's investments
- Provide for wealth transfer from one generation to another
- Provide business succession planning, along with buy-sell opportunities
- Control cash flow to members
- Reduce California taxes
- Resolve family business disputes privately
- Provide confidentiality
- Avoid business interruption
- Avoid probate
- Restrict the ownership rights of non-family members and prevent transfers due to failed marriages
- Prevent commingling of assets for family members
- Make withdrawals from the entity difficult to do
- Protect members from entity creditors
- Qualify for Family Business Exclusion
- Promote knowledge of family business
- Provide medical insurance and other benefits to employees with pre-tax dollars
- Provide income for family members

For more information, please come to our Hot Lunch Tuesday on September 18, 2012 where the topic will be: Entity Formation and Asset Protection "Protecting my Life's Work".